MSINGA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 June 2014

In terms of section 126 (1) of the Municipal Finance Management Act ,
I am responsible for the annual financial statements, which are set out on pages 5 to 39, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 16 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

---------- 29 August 2014

MUNICIPAL MANAGER **Date**

Annual Financial Statements

for

Msinga Municipality

for the PERIOD ended 30 JUNE : **2014**

Province: KwaZulu Natal

AFS rounding: ***R (i.e. only cents)***

Contact Information:

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Msinga Municipality
Financial Statements
for the year ended 30 June 2014
General information

Members of the Council

FJ Sikhakane	Mayor
SG Masimula	Honourable Speaker
TL Kunene	Deputy Mayor
B Mthethwa	Member of the Executive Committee
RN Ngubane	Member of the Executive Committee
MPS Mshibe	Member of the Executive Committee
JM Ntuli	Member of the Executive Committee
B Dumakude	Member of the Executive Committee

Municipal Manager

FB Sithole

Chief Financial Officer

JS Pansegrouw

Grading of Local Authority

Grade 2

Auditors

Auditor-General South Africa

Bankers

ABSA Bank	Effective 1st July 2001

General information (continued)

Registered Office:	Tugela Ferry
Physical address:	Main Road Tugela Ferry
Postal address:	Private Bag X530 Tugela Ferry 3010
Telephone number:	033-4930761
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Msinga Municipality

FINANCIAL STATEMENTS

For the year ended 30 June 2014

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MSINGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

	Note	2014	2013
		R	R
ASSETS			
Current assets		88,375,633	79,300,060
Cash and cash equivalents	2	84,198,453	73,455,310
Trade receivables from exchange transactions	3	2,200,592	109,968
Other receivables from non-exchange transactions	4	48,046	
Other loans	5		14,000
VAT receivable	6	1,928,542	5,720,782
Non-current assets		126,925,444	106,427,148
Property, plant and equipment	7	126,925,444	106,427,148
Total assets		215,301,077	185,727,208
LIABILITIES			
Current liabilities		19,700,951	21,896,063
Trade and other payables	8	2,822,239	2,460,591
Unspent conditional grants and receipts	9	16,878,712	19,435,472
Non -Current liabilities		310,000	
Long service awards	11	310,000	
Total liabilities		20,010,951	21,896,063
Net assets		195,290,126	163,831,145
NET ASSETS			
		195,290,126	163,831,145
Accumulated surplus	10	195,290,126	163,831,145
Total net assets		195,290,126	163,831,145

MSINGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2014

REVENUE	**NOTE**	**2014**	**2013**
Property rates	12	4,957,046	2,471,507
Service charges	13	46,900	20,940
Rental of facilities and equipment		474,871	382,743
Interest earned - external investments	15	5,185,110	4,042,757
Government grants and subsidies	14	124,963,814	102,542,385
Other income		121,527	103,046
Gain on disposal of Property, Plant and Equipment		80,937	2,141
Total Revenue		135,830,205	109,565,519
EXPENDITURE			
Employee related costs	16	18,480,197	15,545,402
Remuneration of Councillors	17	8,711,222	8,084,267
Long service benefits	11	310,000	
Bad debts		147,015	519,659
Depreciation		14,129,614	10,868,079
Repairs and maintenance		7,455,922	7,151,318
Contracted services	20	2,233,318	1,574,800
Grants and subsidies paid	18	8,553,724	6,835,635
General expenses	19	44,350,212	29,346,271
Total Expenditure		104,371,224	79,925,431
Surplus for the year		31,458,981	29,640,088

MSINGA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2014

	Accumulated Surplus	Total
	R	R
2014		
Balance at 30 June 2013	163,831,145	163,831,145
Surplus for the year	31,458,981	31,458,981
Balance at 30 June 2014	195,290,126	195,290,126
2013		
Balance at 30 June 2012	134,191,058	134,191,058
Surplus for the year	29,640,087	29,640,087
Balance at 30 June 2013	163,831,145	163,831,145

MSINGA LOCAL MUNICIPALITY
CASH FLOW STATEMENT
for the year ended 30 June 2014

	Note	2014 R	2013 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from consumers and government		132,084,712	103,121,457
Cash paid to suppliers and employees		(91,979,705)	(78,695,688)
Cash generated from operations	21	40,105,007	24,425,769
Interest received		5,185,110	4,042,757
Net cash flows from operating activities		45,290,117	28,468,526
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(34,764,358)	(31,047,517)
Purchase of intangible assets			
Proceeds from sale of fixed assets		217,384	2,140
Net cash flows from investing activities		(34,546,974)	(31,045,377)
CASH FLOWS FROM FROM FINANCING ACTIVITIES			
New loans raised (repaid)			
Increase (decrease) in consumer deposits			
Increase (decrease) in short term loans			
Net cash flows from financing activities			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		10,743,143	(2,576,851)
Net increase / (decrease) in net cash and cash equivalents		10,743,143	(2,576,851)
Net cash and cash equivalents at beginning of period		73,455,310	76,032,161
Net cash and cash equivalents at end of period	2	84,198,453	73,455,310

MSINGA LOCAL MUNICIPALITY

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

for the year ended 30 June 2014

	Original Budget	Adjusted Budget	Final Budget	Actual outcome	Variance	Actual outcome As % Of Final Budget	Actual Outcome As % Of Original Budget	Explanation of significant variances
REVENUE	R	R	R	R	R			
Property rates	500,000		500,000	4,957,046	4,457,046	991	991	Implement Rates Act
Service charges	23,000		23,000	46,900	23,900	204	204	
Rental of facilities and equipment	164,500		164,500	474,871	310,371	289	289	
Interest earned - external investments	3,150,000		3,150,000	5,185,110	2,035,110	165	165	Rate increase
Government grants and subsidies	129,410,000		129,410,000	124,963,814	(4,446,186)	97	97	Reduced Equitable share
Other income	122,500		122,500	121,527	(973)	99	99	
Sale of assets				80,937	80,937			Insurance claim
Total Revenue	133,370,000	-	133,370,000	135,830,205	2,460,205	102	102	
EXPENDITURE								
Employee related costs	17,335,202		17,335,202	18,480,197	1,144,995	107	107	Additional staff/medical/pension
Remuneration of Councillors	8,806,743		8,806,743	8,711,222	(95,521)	99	99	
Long service benefits				310,000	310,000			Implement GRAP 25
Bad debts	550,000		550,000	147,015	(402,985)	27	27	
Depreciation	9,815,500		9,815,500	14,129,614	4,314,114	144	144	Budget calculation error
Repairs and maintenance	7,570,000		7,570,000	7,455,922	(114,078)	98	98	
Contracted services	2,181,000		2,181,000	2,233,318	52,318	102	102	
Grants and subsidies paid	8,400,000		8,400,000	8,553,724	153,724	102	102	
General expenses	40,643,257		40,643,257	44,350,212	3,706,955	109	109	Transition grant and rural electrification
Total Expenditure	95,301,702	-	95,301,702	104,371,224	9,069,522	110	110	
Surplus for the year	38,068,298	-	38,068,298	31,458,981	(6,609,317)	83	83	

MSINGA LOCAL MUNICIPALITY

ACTUAL VERSUS BUDGET(ACQUISITION OF PROPERTY. PLANT AND EQUIPMENT) STATEMENT

for the year ended 30 June 2014

	2014 Actual	2014 Under Construction	2014 Total Additions	2014 Budget	2014 Variance	2014 Variance
	R	R	R	R	R	%
Land and Buildings						
Land						
Buildings			817,940	1,100,000	(282,060)	
	-		817,940	1,100,000	(282,060)	
Infrastructure						
Roads			21,601,628	24,944,000	(3,342,372)	(13)
	-	-	21,601,628	24,944,000	(3,342,372)	
Community Assets						
Sportsfields			8,600,094	8,700,000	(99,906)	(1)
	-	-	8,600,094	8,700,000	(99,906)	
Other Assets						
Air conditioners			60,943			
Office equipment			212,439	500,000	(287,561)	(58)
Furniture and fittings			736,241	500,000	236,241	47
Machinery			150,000	150,000		
Motor vehicles			2,585,072	2,100,000	485,072	23
	-		3,744,695	37,994,000	(3,290,586	
Total	-		34,764,357	37,994,000	(3,290,586)	(9)

1 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of Annual Financial Statements
BASIS OF PRESENTATION
The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise, they are presented in South African Rand.

These annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP). Issued by the Accounting Standards Board in accordance with Section 122 (3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's annual financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant policy.

Standards, amendments to standards and interpretations effective for financial periods commencing on or after 1 April 2013.

In the current year, the municipality has adopted the following interpretations that are effective for the current financial year and that are relevant to its operations.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Cost
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue From Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
CRAP 19	Provisions, Contingent Liabilities and Contingent Asset

GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee benefits
GRAP 26	Impairment of Cash-generation Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GRAP103	Heritage Assets
GRAP 104	Financial Instruments

The following GRAP standards have been approved but are not yet effective. Application of all the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance.

GRAP 105	Transfer of functions between entities under common control – issued November 2010
GRAP 106	Transfer of functions between entities not under common control – issued November 2010
GRAP 107	Mergers – issued November 2010

The municipality expects to adopt the standards for the first time once effective.

Management have considered all of the above-mentioned GRAP standards and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

Standards, amendments to standards and interpretation not yet effective or relevant

The following GRAP standard has been approved but an effective date has not been determined.

GRAP 18	Segment Reporting – issued February 2011

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

Presentation Currency
These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality.

Going Concern Assumption

These annual financial statements have been prepared on a going concern basis.

1.1 Significant judgments and sources of estimation uncertainty
In preparing the financial statements, management is required to make estimates and

assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas where assumptions and estimates are insignificant to the financial to the financial statements are set out below.

Debtors receivable
The municipality assesses its debtors receivable for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated cash flows from the financial asset.

Useful lives of property, plant and equipment
Management estimates the remaining useful lives and condition of significant items of property, plant and equipment on an annual basis. In determining whether an impairment loss should be recorded in the surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a significant impairment of respective assets.

During the year under review no significant assets have been impaired as the municipality is currently in the process of rehabilitating most of its infrastructure assets.

Provisions
Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

Impairment testing

The municipality reviews and test the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Allowances for doubtful debt

The provision for impairment is measured as the difference between the assets carrying amount and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition. An impairment loss is recognized in surplus and deficit when there is objective evidence that an asset is impaired. The impairment is measured with reference to historical data and payment trend analysis per group of customers.

2. PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT -REVALUATION MODEL (LAND, BUILDINGS, and other Infrastructure assets)

Subsequent to initial recognition, land, buildings, and other infrastructure assets are carried at a revalue amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		**Other**	
			3
Roads and Paving	10-20	Buildings	0
Pedestrian Malls	30	Air Conditioners	7
Electricity	25	Vehicles and tractors	7
Water	20	Office equipment	5
			1
Sewerage	20	Furniture and fittings	0
Community		Machinery and Equipm	7
Buildings	30	Tools	5
Recreational Facilities	10	Radio	5
		Computer equipment	3

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3. INVESTMENT PROPERTY

3.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

3.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated.

FINANCIAL INSTRUMENTS

4.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

4.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

4.3 INVESTMENTS

Investments, which include short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

4.4 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.
An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or
financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.
An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

4.5 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

4.6 CASH AND CASH EQUIVALENTS

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

5. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

6. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

7. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

9. LEASES

9.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.
Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

9.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

10. REVENUE

10.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered , the value of which approximates the consideration received or receivable.
Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in

which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on normal consumption.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.
Interest revenue is recognised on a time proportion basis.
Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.
Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.
Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

10.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

11. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

12. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

13. CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

	2014	2013

2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:		
Cash on hand		296
Cash at bank	13,205,409	5,951,306
Call deposits	70,993,044	67,503,708
	84,198,453	73,455,310

The Municipality has the following bank accounts:

Current account (Primary bank account)
Absa Bank - Newcastle
Branch
Account number -
4053635886

Cash book balance at beginning of year	5,951,306	11,824,897
Cash book balance at end of year	13,205,409	5,951,306
Bank statement balance at beginning of year	9,499,372	18,874,136
Bank statement balance at end of year	16,562,914	9,499,372

3 Trade receivables from exchange transactions

	Gross Balance	Provision for doubtful debts	Net balance
Balances at 30 June 2014			
Service debtors			
Rates	9,465,905	7,613,856	1,852,049
Other	348,543		348,543
Total	9,814,448	7,613,856	2,200,592
Balances at 30 June 2013			
Service debtors			
Rates	7,271,431	7,271,431	0
Other	305,378	195,410	109,968
Total	7,576,809	7,466,841	109,968

.

	2014	2013
Rates: Ageing		
Current (0 - 30 days)	674,188	36,754
31 - 60 days	602,397	36,754
61 to 90 days	600,623	36,754
91 - 120 days	600,556	36,754
121 days and over	6,988,141	7,124,415
Total	9,465,905	7,271,431
Refuse and other : Ageing		
Current (0 - 30 days)	(45,032)	(46,918)
31 - 60 days	3,611	3,383
61 to 90 days	3,612	3,308
91 - 120 days	3,611	3,179
121 days and over	382,740	342,425
Total	348,542	305,377

Summary of debtors by customer classification

Balances at 30 June 2014	Domestic and other Consumers	Industrial / Commercial	Government
Current (0 - 30 days)			
31 - 60 days			
61 to 90 days			
91 - 120 days			
121 days and over			
Total	0		0

Balances at 30 June 2013	Domestic and other Consumers	Industrial / Commercial	Government
Current (0 - 30 days)	(42,489)		32,325
31 - 60 days	7,811		32,325
61 to 90 days	7,736		32,325
91 - 120 days	7,608		32,325
121 days and over	1,089,446		6,377,397
Total	1,070,112		6,506,697

4 Other receivables from non - exchange transactions

Other	98,713	50,667
Less: Provision for Bad Debt	(50,667)	(50,667)
Total other receivables	48,046	0

5 Long Term Receivables

Pre-paid expenses		14,000
Sundry loans		
Provision Bad Debts		
	0	14,000
Less: Current portion transferred to current receivables		(14,000)
	0	0

		2014	2013
6	**VAT**		
	VAT receivable	1,928,542	5,720,782
		1,928,542	5,720,782

VAT is payable on the payments basis

7 **Property, Plant and Equipment**

Reconciliation of carrying value	Land and buildings	Infrastr-ucture	Community	Other	Total
Carrying value at 1 July 2013	13,601,870	79,296,507	5,602,652	7,926,118	106,427,147
Cost	17,399,362	106,496,171	6,837,197	20,358,199	151,090,929
Revaluation					
Accumulated depreciation					
- Cost	(3,797,492)	(27,199,664)	(1,234,545)	(12,432,081)	(44,663,782)
- Revaluation					
Acquisitions	817,940	21,601,628	8,600,094	3,744,695	34,764,357
Transfer		(2,892,648)	2,892,648		0
Capital under construction					
Increases (decreases) in revaluation					
Depreciation					
- transfer		126,657	(126,657)		0
- based on cost	(615,269)	(10,720,444)	(1,224,899)	(1,569,004)	(14,129,616)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation				(248,403)	(248,403)
Accumulated depreciation				111,956	111,956
Carrying value at 30 June 2014	13,804,541	90,177,691	12,977,847	9,965,362	126,925,441
Cost	18,217,302	128,097,799	15,437,291	23,854,491	185,606,883
Revaluation					
Accumulated depreciation					
- Cost	(4,412,761)	(37,920,108)	(2,459,444)	(13,889,129)	(58,681,442)
- Revaluation					

Reconciliation of carrying value	Land and buildings	Infrastr-ucture	Community	Other	Total
Carrying value at 1 July 2012	14,214,867	63,320,256	3,271,344	5,441,382	86,247,849
Cost	17,399,362	82,568,210	3,630,284	17,585,651	121,183,507
Revaluation					
Accumulated depreciation					
- Cost	(3,184,495)	(19,247,954)	(358,940)	(12,144,269)	(34,935,658)
- Revaluation					
Acquisitions		25,248,752	1,890,744	3,908,021	31,047,517

Transfer		(1,316,169)	1,316,169		0
Capital under construction					
Increases (decreases) in revaluation					
Depreciation					
- transfer		343,897	(346,885)	2,988	0
- based on cost	(612,997)	(8,300,229)	(528,720)	(1,426,134)	(10,868,080)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation		(4,622)		(1,135,473)	(1,140,095)
Accumulated depreciation		4,622		1,135,334	1,139,956
Carrying value at 30 June 2013	13,601,870	79,296,507	5,602,652	7,926,118	106,427,147
Cost	17,399,362	106,496,171	6,837,197	20,358,199	151,090,929
Revaluation					
Accumulated depreciation					
- Cost	(3,797,492)	(27,199,664)	(1,234,545)	(12,432,081)	(44,663,782)
- Revaluation					

		2014	2013
8	**Trade and other payables**		
	Trade creditors	2,121,970	1,088,373
	Retention		774,011
	Payments received in advance		
	Staff leave	680,219	580,766
	Deposits other	670	670
	VAT	19,380	16,771
		2,822,239	2,460,591
9	**Unspent Conditional Grants and Receipts**		
	3.1 Conditional grants from other spheres of government	16,878,712	19,435,472
	Total conditional grants and receipts	16,878,712	19,435,472

Disclosure of grants and subsidies in terms of section 123 of MFMA ,Act 56 of 2003

Unspent Conditional Grants and Receipts

Grants - general	1,070,308	1,178,104
Grant - construction of shelters	289,999	243,769
Int Dev I - Structure Grant	100,936	100,936
MIG-Roads	5,206,324	3,015,605
Transition grant		2,518,464
Tourism grant	2,234,159	1,581,159
Municipal support grant	1,216,220	1,527,742
Grants - general	1,080,271	2,158,274
Grant -Integrated development plan	203,575	203,575
Spatial dev Framework	100,000	100,000
Implementation of M F M Act	145,000	145,000
Inter departmental monitoring grant	100,000	100,000
Grant - LUMS	237,223	237,223

	2014	2013
Grant - Project Consolidate	1,478,507	1,478,507
Grant - community development workers	128,890	128,890
Housing grant - Pomeroy project	108,677	108,677
Grant - LED capacity building	246,604	246,604
Internal control & Audit committee		21,802
Housing grant - Kwalatha project	(23,820)	(23,820)
Resol phase 1	145,000	145,000
Info Investment programme	200,000	200,000
Sports fields	526,619	895,459
E - Learning	209,045	209,045
Electrification programme		0
Intern corporate	108,000	108,000
Thusong Centres	319,091	531,015
Sweet potato project	1,030,569	1,500,000
EPWP grant	417,513	776,441
	16,878,710	19,435,471

MIG Grant

Balance unspent at beginning of year	3,015,605	2,293,368
Current year receipts	31,844,000	26,965,000
Conditions met - transferred to revenue	(29,653,281)	(26,242,763)
Conditions still to be met - remain liabilities	5,206,324	3,015,605

Finance Management Grant

Balance unspent at beginning of year	0	0
Current year receipts	1,650,000	1,500,000
Conditions met - transferred to revenue	(1,650,000)	(1,500,000)
Conditions still to be met - remain liabilities	0	0

MSIG grant

Balance unspent at beginning of year	0	0
Current year receipts	890,000	800,000
Conditions met - transferred to revenue	(890,000)	(800,000)
Conditions still to be met - remain liabilities	0	0

Grant - sports fields

Balance unspent at beginning of year	895,459	592,192
Current year receipts	300,000	1,200,000
Conditions met - transferred to revenue	(668,840)	(1,265,573)
Transfer		368,840
Conditions still to be met - remain liabilities	526,619	895,459

Grant - electrification program

	2014	2013
Balance unspent at beginning of year		8,628,631
Current year receipts	7,900,000	
Conditions met - transferred to revenue	(7,900,000)	(2,120,357)
Grant returned to National Treasury		(8,000,000)
Transfer		1,491,726
Conditions still to be met - remain liabilities	0	0

Grant - EPWP

Balance unspent at beginning of year	776,441	0
Current year receipts	1,115,000	1,000,000
Conditions met - transferred to revenue	(1,473,928)	(223,559)
Conditions still to be met - remain liabilities	417,513	776,441

Grant - Thusong Centres

Balance unspent at beginning of year	531,015	1,167,000
Current year receipts		
Conditions met - transferred to revenue	(211,924)	(635,985)
Conditions still to be met - remain liabilities	319,091	531,015

Grant - Sweet potato project

Balance unspent at beginning of year	1,500,000	
Current year receipts		
Conditions met - transferred to revenue	(469,431)	
Conditions still to be met - remain liabilities	1,030,569	

Other Government Grants and Subsidies

Balance unspent at beginning of year	12,716,951	15,579,347
Current year receipts	842,730	631,000
Conditions met - transferred to revenue	(4,181,087)	(132,830)
Transfer		(1,860,566)
Conditions still to be met - remain liabilities		
	9,378,594	14,216,951

These amounts are invested in a ring - fenced investment until utilised.

10 **ACCUMULATED SURPLUS**

The following internal reserves are ring fenced within the Accumulated Surplus :
Government Grant Reserve

Balance at 30 June 2013	**99,419,862**	**82,327,369**
Capital grants used to finance Property, Plant and Equipment	29,653,280	27,259,172
Offsetting of Depreciation	(12,888,387)	(10,166,679)
Balance at 30 June 2014	116,184,755	99,419,862

		2014	2013
	Other surplus funds	79,105,371	64,411,284
	Total Accumulated Surplus	195,290,126	163,831,146
	LONG SERVICE LEAVE		
11	**AWARDS**		
	Accrued liability at 30 June 2013	246,000	
	Current service cost	41,000	
	Interest cost	19,000	
	Benefits paid		
	Actuarial loss/(Gains)	4,000	
	Accrued liability at 30 June 2014	310,000	
12	Property Rates		
	Actual		
	Residential	411,592	
	Agricultural	597,479	
	Commercial	1,169,329	
	State	3,391,726	
	Other	231,266	2,471,507
	Total assessment rates	5,801,392	2,471,507
	Less: Rates rebates	(844,346)	
		4,957,046	2,471,507
	Valuations		
	Residential		
	Commercial		
	State		
	Municipal		
	Other		
	Total property valuations		
13	Service Charges		
	Refuse removal	46,900	20,940
		46,900	20,940
14	Government Grants and Subsidies		
	Equitable share	77,850,000	69,621,000
	Skills levy	15,324	317
	Conditional grants utilised	47,098,489	32,921,067
		124,963,813	102,542,384

		2014	2013
15	Interest		
	Investment income	3,489,337	3,296,443
	Interest on current account	1,695,773	746,313
		5,185,110	4,042,756

16	Employee Related Costs		
	Employee related costs - salaries and wages	13,042,960	11,589,565
	Employee related costs - contributions to UIF, pension and medical costs	2,491,410	1,776,195
	Travel, vehicle, accommodation, subsistence and other allowances	1,432,687	1,001,779
	Housing benefits and allowances	2,088	6,264
	Overtime payments	449,122	305,708
	Annual Bonus	1,061,930	865,891
	Total employee related costs	18,480,197	15,545,402

There were no advances to employees. Loans to employees are set out in note 13.

Remuneration of the Municipal Manager		
Annual remuneration	694,171	639,419
Performance bonus		
Car allowance	120,000	120,000
Contributions to Medical, Pension and UIF Funds	41,040	41,040
	855,211	800,459
Remuneration of the Chief Financial Officer		
Annual remuneration	812,125	732,350
Performance bonus		
Car allowance		

Remuneration of other managers 2014

	Corporate Services	Engineering Services	Director Develop/plan
Annual remuneration	436,209	408,385	439,861
Performance bonus			
Car allowance	84,000	72,000	52,800
	520,209	480,385	492,661

2013	Corporate Services	Engineering Services	Director Development
Annual remuneration	402,905	377,631	408,321
Performance bonus			
Car allowance	84,000	72,000	52,800
	486,905	449,631	461,121

		2014	2013
17	Remuneration of Councillors		
	Mayor	373,544	348,449
	Deputy Mayor	532,214	343,850
	Speaker	303,748	281,978
	Executive committee members	2,001,124	1,857,352
	Councillors	5,500,592	5,252,638
		8,711,222	8,084,267

In - kind benefits

The Mayor and the Speaker are provided with an office and secretarial support at the cost of Council.
The Mayor has use of a Council owned vehicle for official duties

18	Grants and Subsidies Paid		
	Free basic services	8,553,724	6,835,635
		8,553,724	6,835,635

19	General Expenses		
	Advertising	441,670	419,784
	Aerial survey	528,783	
	Audit fees	656,898	867,612
	Audit: internal	724,949	628,365
	Admin fees	57,178	34,111
	Bank charges	576,949	373,604
	Awareness programme	1,427,705	1,558,351
	Conference and seminars	29,376	47,576
	Aids awareness	65,627	21,158
	Disaster management	59,648	120,546
	Electricity	669,441	540,733
	Entertainment	178,111	169,600
	Insurance	963,970	575,418
	Indigent support	677,442	96,294
	Legal fees	77,452	86,452
	Licences	67,011	51,186
	Emergency fund	2,533,670	2,684,119
	Materials	23,897	57,724
	Meetings/training	570,716	312,019
	Pauper burials	264,275	178,383
	Printing & stationary	137,037	402,307
	Rent: offices	178,000	
	Security services	2,101,120	2,029,709
	Special projects	1,927,544	1,704,127
	Youth projects	1,510,543	1,469,899
	Sport and recreation	1,651,869	985,012

		2014	2013
	Subsistence & travelling	1,792,136	1,711,774
	Subscriptions	493,060	558,181
	Sundries	34,843	26,601
	Ploughing cost	501,750	348,309
	Telephones	740,361	801,704
	Agricultural project	447,484	450,815
	Transport/vehicle cost	2,578,806	3,359,600
	Valuation expenses	305,866	63,768
	Ward committees	21,565	59,216
	Water	67,982	211,792
	Grant - general expenses	107,796	
	Msig expenses	1,296,654	1,723,142
	Idp expenses		13,545
	Fmg expenses	1,622,306	1,189,415
	Rural elec plan	8,784,817	2,211,342
	Sport and recreation	668,840	
	Map expenses	311,522	201,726
	Transition grant expenses	3,596,466	
	Disaster fund housing	34,684	51,873
	T/ferry street lighting		6,622
	EPWP grant expenses	1,800,001	223,559
	MPCC grant expenses	211,924	635,985
	Library grant expenses	86,582	
	Tugela ferry housing	175,000	
	Sweet potato project	469,432	
	Contribution leave provision	99,453	83,213
		44,350,211	29,346,271
20	Contracted Services		
	Management services	1,644,331	1,209,677
	Professional fees	588,987	365,123
		2,233,318	1,574,800
21	Cash Generated by Operations		
	Surplus for the year	31,458,981	29,640,088
	Adjustment for :		
	Depreciation	14,129,616	10,868,080
	Surplus on disposal of property,plant and equipment	(80,937)	(2,002)
	Contribution to long service provision	310,000	
	Contributions to bad debt provision	147,015	519,660
	Investment income	(5,185,110)	(4,042,757)
	Operating surplus before working capital changes	40,779,565	36,983,069
	(iIncrease) decrease in consumer debtors	(2,237,639)	(472,526)
	(iIncrease) decrease in other debtors	(34,046)	19,267
	Increase (decrease) in conditional grants and receipts	(2,556,760)	(8,825,066)
	Increase (decrease) in creditors	361,648	192,973
	(Increase) decrease in VAT	3,792,240	(3,471,948)
		40,105,008	24,425,769

		2014	2013
22	Cash and Cash Equivalents		
	Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
	Bank balances and cash	13,205,409	5,951,602
	Call deposits	70,993,044	67,503,708
		84,198,453	73,455,310
23	Additional Disclosures in Terms of Municipal Finance Management Act		
	23.1 Contributions to organised local government		
	Opening balance		
	Council contributions		
	Amount paid - current year	450,000	400,000
	Amount paid - previous years		
	Balance unpaid (included in creditors)	450,000	400,000
	23.2 Audit fees		
	Opening balance		
	Current year audit fee	656,898	867,612
	Amount paid current year	656,898	867,612
	Amount paid - previous years		
	Balance unpaid (included in creditors)		0
	23.3 VAT		
	Opening balance	5,720,782	2,248,834
	Current year output VAT		(32,178)
	Current year input VAT	8,759,257	7,837,595
	Amount refunded by SARS - current year	(12,551,497)	(4,333,469)
	Amount due by SARS - included in debtors	1,928,542	5,720,782
	All VAT returns have been submitted by the due date.		
	23.4 PAYE, UIF and Skills levy		
	Opening balance		
	Current year payroll deductions and Council UIF/Skills contributions	3,427,603	2,643,424
	Amount paid - current year	3,427,603	2,643,424
	Amount paid - previous years		
	Balance unpaid (included in creditors)	0	0
	23.5 Pension and medical aid deductions		
	Opening balance		
	Current year payroll deductions and Council contributions	2,394,604	1,702,819
	Amount paid - current year	2,394,604	1,702,819
	Amount paid - previous years		
	Balance unpaid (included in creditors)	0	0

		2014	2013
24	Capital Commitments		
	Commitments in respect of capital expenditure:		
	- approved and contracted for		
	Infrastructure		
	Community		
	Heritage		
	Other		
	Housing Development Fund		
	Investment properties		
	- approved but not yet contracted for		
	Infrastructure	37,713,000	31,844,000
	Community	300,000	2,600,000
	Heritage		
	Other	7,500,000	3,550,000
	Housing Development Fund		
	Investment properties		
		45,513,000	37,994,000
	This expenditure will be financed from		
	- government grants	36,513,000	31,844,000
	- own resources	9,000,000	6,150,000
	-		
		45,513,000	37,994,000

25 RETIREMENT BENEFIT INFORMATION

Certain Councillors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2013. The Actuary advised that the fund is 93.1% funded. as at the valuation date at the overall level. The financial position of the fund has thus improved since the previous valuation date. It has been recommended that the surcharge remain in force as "Scheme to Eliminate Deficiency" to firstly eliminate the shortfall and then to build up sufficient solvency reserves.

31.1 SUPERANNUATION FUND

The Actuary advised that the total Fund is 97.9% funded as at the valuation date at the overall level. The pensioner liabilities are fully funded and the liabilities in respect of active members are 96.2%. In the opinion of the Actuary the fund is not in a financially sound position, but the surcharge being paid is expected to restore the Fund to a sound financial condition within the period permitted by the FSB

31.3 Provident Fund

The actuary is satisfied that the fund was in a sound financial condition as at 31 March 2013.

		2014	2013
26	Unauthorised Expenditure		
	Opening balance	0	8,489,138
	Add: Unauthorised expenditure current year	4,755,408	
	Less: Amounts condoned	(4,755,408)	(8,489,138)
	Closing balance	0	0
26.1	Irregular Expenditure		
	Opening balance		49,855
	Add: Irregular expenditure current year		
	Less: Amounts condoned		(49,855)
		0	0
26.1	Deviation from SCM policy approved by Council		
	Opening Balance		
	Deviations Current year	7,158,000	2,727,293
	Authorised by Council	(7,158,000)	-2,727,293
		0	0

27 **Correction of prior period error in presentation in the Financial Statements**

During the current financial year, the Municipality corrected errors in presentation in the financial statements.
The comparative amounts have been appropriately restated as follows:

Note 6 - Property, Plant and Equipment

Infrastructure carrying value previously disclosed	79,296,507
Revised classification	(2,765,991)
Revised Infrastructure carrying value	76,530,516
Community assets carrying value previously disclosed	5,602,652
Revised classification	2,765,991
Revised Community assets carrying value	8,368,643

APPENDIX A
MSINGA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY,PLANT AND EQUIPMENT AT 30 JUNE 2014

	Cost/ Revaluation						Accumulated Depreciation					Carrying
	Opening Balance	Transfer	Addition	Under Construct	Disposals	Closing Balance	Opening Balance	Transfer	Addition	Disposal	Closing Balance	Value
Land and Buildings												
Land												
Buildings	17,399,362		817,940			18,217,302	3,797,492		615,269		4,412,761	13,804,541
	17,399,362		817,940	-	-	18,217,302	3,797,492		615,269	-	4,412,761	13,804,541
Infrastructure												
Stormwater drainage												
Roads	106,496,171	(2,892,648)	21,601,628			125,205,151	27,199,664	(126,657)	10,720,444		37,793,451	87,411,700
	106,496,171	(2,892,648)	21,601,628	-	-	125,205,151	27,199,664	(126,657)	10,720,444	-	37,793,451	87,411,700
Community Assets												
Sports facilities	6,837,197	2,892,648	8,600,094			18,329,939	1,234,545	126,657	1,224,899		2,586,101	15,743,838
	6,837,197	2,892,648	8,600,094	-	-	18,329,939	1,234,545	126,657	1,224,899	-	2,586,101	15,743,838
Leased Assets												
Infrastructure												
Other Assets												
Refuse disposal site	1,531,890					1,531,890	1,531,890				1,531,890	-
Taxi rank	948,004					948,004	948,004				948,004	-
Fencing	584,030					584,030	584,030				584,030	-
Air conditioners	63,541		60,943			124,484	63,541		726		64,267	60,217
Office and computer equipment	2,233,930		212,439			2,446,369	1,728,822		195,359		1,924,181	522,188
Furniture and fittings	1,352,525		736,241			2,088,766	725,531		106,418		831,949	1,256,817
Machinery and equipment	63,666		150,000			213,666	63,666		1,786		65,452	148,214
Cellphones & radios	2,151					2,151	2,151				2,151	-
Motor vehicles	13,578,462		2,585,072		248,403	15,915,131	6,784,446		1,264,715	111,956	7,937,205	7,977,926
	20,358,199		3,744,695	-	248,403	23,854,491	12,432,081		1,569,004	111,956	13,889,129	9,965,362
Total	151,090,929		34,764,357	-	248,403	185,606,883	44,663,782		14,129,616	111,956	58,681,442	126,925,441

APPENDIX B

MSINGA LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY,PLANT AND EQUIPMENT AT 30 JUNE 2014

	Cost/ Revaluation					Accumulated Depreciation				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
Executive and Council	5,521,597	1,880,464		223,369	7,178,692	2,934,302	1,264,715	111,956	4,087,061	3,091,631
Finance and Admin	17,294,972	1,300,939			18,595,911	4,342,142	302,503		4,644,645	13,951,266
Planning and Development	119,285				119,285	1,988			1,988	117,297
Health						0			0	
Community & Social Services	4,116,615	8,306,157			12,422,772	1,690,966	1,840,168		3,531,134	8,891,638
Public Safety	25,720				25,720	16,222			16,222	9,498
Waste Management	2,320,185				2,320,185	2,320,184			2,320,184	1
Road Transport	121,654,372	23,276,796		25,033	144,906,133	33,319,811	10,722,230		44,042,041	100,864,094
Other	38,183				38,183	38,167			38,167	16
	0				0					
	151,090,929	34,764,356	0	248,402	185,606,883	44,663,782	14,129,616	111,956	58,681,442	126,925,441

APPENDIX C

MSINGA LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2014

2013	2013	2013		2014	2014	2014
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
109,067,898	41,095,503	67,972,395	Executive and Council	135,282,198	59,212,094	76,070,104
340,165	8,952,688	(8,612,523)	Finance and Admin	406,228	9,899,728	(9,493,500)
	3,952,214	(3,952,214)	Planning and Development		5,115,471	(5,115,471)
	205,228	(205,228)	Health		392,500	(392,500)
108,629	3,432,801	(3,324,172)	Community & Social Services	94,878	4,959,168	(4,864,290)
	1,696,631	(1,696,631)	Public Safety		1,608,361	(1,608,361)
20,940	778,945	(758,005)	Waste Management	46,900	1,010,234	(963,334)
	19,235,623	(19,235,623)	Road Transport		21,608,100	(21,608,100)
	547,911	(547,911)	Other		565,567	(565,567)
		0				0
109,537,632	79,897,544	29,640,088	Sub - total	135,830,204	104,371,223	31,458,981

MSINGA LOCAL MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA , ACT 56 OF 2003

Description	Name of organ of State	Unspent balance	Received	Expenditure	Transfer	Unspent balance	Grants delayed/	Reason for delaying/	Compliance with grant	Reason for non-compliance
		at 1 July 2013	2013/2014	2013/2014	2013/2014	at 30 June 2014	withheld	withholding funds	conditions	
		R	R	R	R	R	R		YES/NO	
Grants - general	Unspecified	1,178,104		107,796		1,070,308				
Grant - construction of shelters	District Council	243,769	46,230			289,999				
Int Dev I - Structure Grant	Provincial Government	100,936				100,936				
MIG-Roads		3,015,605	31,844,000	29,653,281		5,206,324				
Transition grant		2,518,464		3,596,467	1,078,003	0				
Tourism grant		1,581,159	653,000			2,234,159				
Municipal support grant		1,527,742		311,522		1,216,220				
Grants - general		2,158,274			(1,078,003)	1,080,271				
Grant -Integrated development plan		203,575				203,575				
Spacial dev Framework		100,000				100,000				
Finance Management grant		0	1,650,000	1,650,000		0				
Implementation of M F M Act		145,000				145,000				
Inter departmental monitoring grant		100,000				100,000				
Grant - LUMS		237,223				237,223				
Grant - Project Consolidate		1,478,507				1,478,507				
Grant - community development workers		128,890				128,890				
MSIG grant		0	890,000	890,000		0				
Housing grant - Pomeroy project		108,677				108,677				
Grant - LED capacity building		246,604				246,604				
Internal control & Audit committee		21,802		21,802		0				
Housing grant - Kwalatha project		(23,820)				(23,820)				
Resol phase 1		145,000				145,000				
Info Investment programme		200,000				200,000				
Sportsfields		895,459	300,000	668,840		526,619				
E - Learning		209,045				209,045				
Rural electricity plan		0	7,900,000	7,900,000		0				
Intern corporate		108,000				108,000				
Thusong Centres		531,015		211,924		319,091				
Sweet potato project		1,500,000		469,431		1,030,569				

MSINGA LOCAL MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA , ACT 56 OF 2003 (continue)

Description	Name of organ of State	Unspent balance at 1 July 2013	Received 2013/2014	Expenditure 2013/2014	Transfer 2013/2014	Unspent balance at 30 June 2014	Grants delayed/ withheld	Reason for delaying/ withholding funds	Compliance with grant **conditions**	Reason for non-compliance
EPWP grant		776,441	1,115,000	1,473,928		417,513				
Tugela Ferry housing grant			143,500	143,500						
		19,435,471	44,541,730	47,098,491	0	16,878,710				